



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 10, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **FISCAL REVIEW OF GUIDING LIGHT HOME FOR BOYS – A GROUP
HOME FOSTER CARE CONTRACTOR**

Attached is our report on the fiscal operations of Guiding Light Home for Boys (Guiding Light, or Agency) from January 1, through December 31, 2008. Guiding Light is licensed to operate two group homes (GH), each with a resident capacity of six children. Guiding Lights' group homes are located in Riverside County.

The Department of Children and Family Services (DCFS) and the Probation Department (Probation) contract with Guiding Light to care for foster children placed in the Agency's homes. The County paid Guiding Light \$5,092 per child per month, based on a rate determined by the California Department of Social Services, for a total of \$592,397 during 2008.

Scope

The purpose of our review was to determine whether Guiding Light complied with the contract terms and appropriately accounted for and spent foster care funds on allowable and reasonable expenditures. We also evaluated Guiding Light's expenditure and revenue documentation, internal controls and compliance with applicable federal, State and County fiscal guidelines governing GH foster care funds.

Summary of Findings

We identified \$7,499 in unallowable costs and \$2,587 in unsupported/inadequately supported costs. In addition, DCFS and Guiding Light need to work together to resolve some potential overpayments.

Guiding Light needs to strengthen its internal controls over accounting, disbursements, personnel/payroll records, and bank reconciliations. Guiding Light also needs to submit their 2008 Semi-Annual Expenditure Reports to DCFS.

We recommend that DCFS resolve the questioned costs and collect any disallowed amounts and overpayments. DCFS should also ensure that Guiding Light's management takes the appropriate corrective actions to address the recommendations in this report and monitor to ensure that the actions result in permanent changes. Details of our findings are discussed in the attached report.

Review of Report

We discussed our report with Guiding Light's management on September 22, 2009. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (attached), indicates the Agency is in general agreement with our findings and recommendations, and has agreed to repay the questioned costs. As of March 9, 2010, DCFS is working with the Treasurer and Tax Collector to establish a repayment agreement with the Agency. We thank Guiding Light's management and staff for their cooperation during our review.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including but not necessarily limited to Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report will be forwarded to DCFS in order that it might take further action, as it deems appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

Board of Supervisors
March 10, 2010
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Please call me if you have any questions, or your staff may contact Jim Schneiderman at (213) 253-0101.

WLW:MMO:JLS:MWM

Attachment

c: William T Fujioka, Chief Executive Officer
Patricia S. Ploehn, Director, Department of Children and Family Services
Calvin Remington, Acting Chief Probation Officer
Candace Hache, Executive Director, Guiding Light Home for Boys
Board of Directors, Guiding Light Home for Boys
Cora Dixon, Bureau Chief, Foster Care Audit Bureau, CA Dept. of Social Services
Public Information Office
Audit Committee
Commission for Children and Families

Guiding Light Home For Boys
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

We identified \$7,499 in unallowable costs and \$2,587 in unsupported/inadequately supported costs. In addition, DCFS and Guiding Light need to work together to resolve some potential overpayments. Details of these costs/overpayments are discussed below.

Applicable Regulations and Guidelines

Guiding Light is required to operate its GH in accordance with the following federal, State and County regulations and guidelines:

- GH Contract, including Exhibit C-2, the Auditor-Controller Group Home Contract Accounting and Administration Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (Circular A-122)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unallowable Costs

We identified \$7,499 in unallowable expenditures:

- \$5,604 in late fees and interest expense for a credit card and an agency vehicle.
- \$1,540 in bank overdraft and non-sufficient fund (NSF) fees.
- \$355 in a parking violation and a personal medical expense.

Circular A-122 Sections 16 and 23 identify penalties and interest as unallowable costs. In addition, A-C Handbook Section C.1.5 states that only expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the program are allowable.

Unsupported/Inadequately Supported Costs

A-C Handbook Section A.3.2 states that all expenditures shall be supported by original vouchers, invoices, receipts, or other supporting documents, and that unsupported expenditures will be disallowed upon audit.

We identified \$2,587 in inadequately supported costs involving payments for vehicle expenses, clothing, groceries, and employee petty cash reimbursements. The Agency provided cancelled checks and charge card statements, but no receipts, or the receipts provided were inadequate to substantiate that the expenditures were program related.

As discussed in the "Allocation of Costs" section of this report, Guiding Light does not have a plan to allocate its costs among its funding sources. As a result, it is possible that some of the questioned costs discussed in this section were related to the GH programs of other counties. Once the Agency develops a cost allocation plan, DCFS should determine the appropriate amount of unallowable and unsupported/inadequately supported costs that should be recovered.

Recommendations

1. **DCFS management resolve \$10,086 (\$7,499 + \$2,587) in questioned costs and collect any disallowed amounts.**

Guiding Light management:

2. **Ensure that foster care funds are used for allowable expenditures to carry out the purpose and activities of the Agency.**
3. **Consistently maintain adequate supporting documentation for all Agency expenditures, including original itemized receipts and invoices.**

POTENTIAL DCFS OVERPAYMENTS

DCFS' records show some potential overpayments made to the Agency. DCFS and Guiding Light should work together to resolve the overpayments, and DCFS should collect any verified overpayments. Guiding Light management should ensure that any future payment discrepancies are immediately reported to DCFS and any excess amounts are repaid promptly.

Recommendations

4. **DCFS management work with Guiding Light to resolve the overpayments and collect any verified overpayments.**
5. **Guiding Light management ensure that any future payment discrepancies are immediately reported to DCFS and any excess amounts are repaid promptly.**

ALLOCATION OF COSTS

A-C Handbook Section C.2.0 states that an agency should allocate expenditures that benefit multiple programs or funding sources on an equitable basis. During our review period, Guiding Light received funding from Los Angeles and Riverside Counties for its Group Home program.

The Agency records all administrative costs at the group home program level, but does not allocate the costs to the individual counties. Guiding Light should develop a plan to allocate administrative expenses to each county on an equitable basis.

Recommendation

- 6. Guiding Light management develop a plan to allocate administrative expenses to each county on an equitable basis.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted the following internal control weaknesses during our review.

Accounting and Disbursement Procedures

We noted the following issues with the Agency's accounting and disbursement procedures:

- Eight (13%) of 60 expenditures reviewed were not properly classified on the general ledger. For example, one item categorized as unclassified expense on the general ledger should have been classified as an insurance expense based on the receipt. A-C Handbook Section A.2.5 indicates that an agency must post transactions of a similar nature to the same account.
- The check preparer was also the check signer on all the expenditures reviewed. A-C Handbook Section B.2.2 states that all disbursements shall be approved by persons independent of check preparation. Proper disbursement procedures require a second signature from someone independent of the transaction to verify the appropriateness of the expense.

Recommendations

Guiding Light management:

- 7. Properly classify expenditures on the general ledger in a consistent manner.**
- 8. Require a second signature on all checks to verify the appropriateness of the expense.**

Payroll/Personnel Controls

CDSS-MPP Section 11-402 requires that supporting documentation be maintained for all program expenditures, including salary rates. In addition, A-C Handbook Section B.3.1 states that timecards or time reports must be prepared for each pay period, and all timecards or time reports must be signed by the employee and supervisor to certify the accuracy of the reported time.

A review of 12 employee personnel files and payroll records disclosed the following:

- None of the employee personnel files contained the employees' current authorized salary rates.
- Two employee timecards were not signed by the employee.
- Three employee timecards were not signed by the supervisor.

Recommendations**Guiding Light management:**

9. **Ensure personnel files contain current salary rates approved by management.**
10. **Ensure all timecards are signed by the employee and a supervisor to certify the accuracy of the reported time.**

Bank Reconciliations

A-C Handbook Section B.1.4 requires bank reconciliations be prepared within 30 days of the bank statement date, and reviewed by management for appropriateness and accuracy. The bank reconciliations should be signed and dated by both the preparer and the reviewer.

We reviewed the Agency's monthly bank reconciliations for two accounts (general and payroll) and noted that none of the bank reconciliations were prepared within 30 days, and none of the bank reconciliations were signed or dated by the preparer or reviewer.

Recommendation

11. **Guiding Light management ensure that bank reconciliations are prepared within 30 days of the bank statement date, and signed and dated by the preparer and reviewer.**

Semi-Annual Expenditure Reports

The Group Home Contract Section 17.0 requires agencies to prepare and submit Semi-Annual Expenditure Reports to DCFS within 60 days after the close of each semi-annual reporting period within the agency's fiscal year.

Guiding Light has not prepared and submitted the Semi-Annual Expenditure Reports for 2008 and 2009. According to DCFS, the latest report received from the Agency covered July 1, 2007 through December 31, 2007.

Recommendation

12. Guiding Light management prepare and submit the Semi-Annual Expenditure Reports for 2008 and 2009 to DCFS.



PATRICIA S. PLOEHN, LCSW
Director

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

December 22, 2009

Candace Hache, Executive Director
Guiding Light Home for Boys
24618 Ormista Drive
Moreno Valley, CA 92553

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

Dear Ms. Hache:

**AUDITOR-CONTROLLER'S FISCAL AUDIT REPORT ON GUIDING LIGHT HOME FOR BOYS - A
GROUP HOME FOSTER CARE CONTRACTOR**

We have reviewed your fiscal corrective action plan (FCAP) dated October 22, 2009 in response to the Auditor-Controller's draft fiscal audit report dated August 6, 2009. The FCAP fully addresses 12 recommendations (see Attachment III). In addition, the two recommendations directed to DCFS were fully addressed.

With regard to the \$10,086 in questioned costs, Guiding Light and DCFS agreed that the total of \$10,086 was disallowed and must be repaid to the Department. Please contact the Los Angeles County Treasurer and Tax Collector Department, by December 31, 2009 to schedule a time to sign a repayment agreement for the amount of \$10,086.

Kathy Gloster, Operations Chief
Los Angeles County Treasurer and Tax Collector Revenue and Enforcement
225 N. Hill Street Room 122, Los Angeles, CA 90012
(213) 893-7968
kgloster@ttc.lacounty.gov

With regard to the overpayment, please contact Luis Castaneda, Supervisor, Overpayment Unit, (213) 351-3212 to reconcile any overpayments on record. DCFS records as of December 8, 2009 reflect a \$50,919 overpayment balance for this agency. DCFS will require a signed repayment agreement for the overpayment balance.

If you have any questions, please contact Ali Gomaa-Mersal of my staff at (213) 351-3209.

Sincerely,

Phillip S. Molina, Division Chief
Fiscal Operations Division

c: Mike McWatters, Chief Audit Division
Russell Lingo, Principal Accountant-Auditor

"To Enrich Lives Through Effective and Caring Service"

**FISCAL REVIEW OF
GUIDING LIGHT HOME FOR BOYS
A GROUP HOME FOSTER CARE CONTRACTOR**

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP dated 10/22/09, submitted by Guiding Light Home for Boys, the status of each recommendation is summarized as follows:

- 12 Recommendations (1-12) were fully addressed.
- 2 Recommendations (1&4) directed to the Department were addressed.

Recommendation Status

1. **DCFS management resolve \$10,086 (\$7,499 + \$2,587) in questioned costs and collect any disallowed amounts.**
 1. **Agency Proposed FCAP:** Guiding Light Home for Boys agrees with \$7,499 dollars in unsupported cost due to late fees, interest expense, over draft, and parking violations.

The \$2587 dollars in unsupported/inadequately supported cost, Guiding Light understands and agrees with the amount. Unfortunately receipts were lost/misplaced. However Guiding Light has implemented a new procedure in place where purchases will only be processed through a few people in management therefore receipts will be kept and secure for bookkeeper monthly.

DCFS Response: DCFS accepts the agency's response. Please contact the Los Angeles County Treasurer and Tax Collector Department, as soon as possible to schedule a time to sign a repayment agreement for the amount of \$10,086. Please contact

Kathy Gloster
Operations Chief
Los Angeles County Treasurer and Tax Collector Revenue and Enforcement
225 N. Hill Street Room 122
Los Angeles, CA 90012
(213) 893-7968
kgloster@ttc.lacounty.gov

2. **Guiding Light management ensure foster care funds are used for allowable expenditures to carry out the purpose and activities of the Agency.**

Agency Proposed FCAP: Foster Care Funds will be used for allowable expenditures to carry out the purpose of the program activities only.

DCFS Response: DCFS accepts the agency's policy.

3. **Guiding Light consistently maintain adequate supporting documentation for all Agency expenditures, including original itemized receipts and invoices.**

Agency Proposed FCAP: Corrective Action –Guiding Light has implemented a procedure with book keeper to file and verify all documents to support all expenditures for items such as vehicle expense, clothing, groceries, employee petty cash reimbursement etc. All Items will be purchased on debit card every month to eliminate interest expense and whenever possible the use of credit cards will be eliminated.

DCFS Response: DCFS accepts the agency's policy.

4. **DCFS management work with Guiding Light to resolve the overpayments and collect any verified overpayments.**

Agency Proposed FCAP: Guiding Light Home for Boys is not in total agreement to the overpayment of \$48,712 dollars. Ken Johnson will be contacted regarding the correct amount. Guiding Light will agree to a repayment agreement to pay the amount owed. Guiding Light has implemented a Client Count Procedure that documents when clients are admitted to program and leave the program. This procedure will insure that any overpayments are documented and any overpayment will be returned to the proper agency in a timely manner.

DCFS Response: Please contact Luis Castaneda, Supervisor, Overpayment Unit, (213) 351-3212 to reconcile any overpayments on record. DCFS records as of December 8, 2009 reflect a \$50,919 overpayment balance for this agency. DCFS will require a signed repayment agreement for the overpayment balance.

5. **Guiding Light management ensure that any future payment discrepancies are immediately reported to DCFS and any excess amounts are repaid promptly.**

Agency Proposed FCAP: Guiding Light will ensure that any future payment discrepancies are immediately reported to DCFS and any excess amounts are repaid promptly.

DCFS Response: DCFS accepts the agency's policy.

6. **Guiding Light management develop a plan to allocate administrative expenses to each county on an equitable basis.**

Agency Proposed FCAP: Guiding Light receives funds from multiple counties, Guiding Lights bookkeeping service has implemented an allocation system based on percentage of clients from each county to allocate expenses.

DCFS Response: DCFS accepts the agency's policy.

7. **Guiding Light management properly classify expenditures on the general ledger in a consistent manner.**

Agency Proposed FCAP: To ensure that all expenditures will be properly classified in the general ledger, Guiding Light will provide bookkeeper with copies of all checks with the original invoice so that the bookkeeper will be able to code all entries properly. In addition the memo column will also state the classification where system will be properly implemented.

DCFS Response: DCFS accepts the agency's policy.

8. **Guiding Light management require a second signature on all checks to verify the appropriateness of the expense.**

Agency Proposed FCAP: Guiding Light ensures there will be another person for a second signature/initials on all checks to verify the appropriateness of the expenses incurred by program.

DCFS Response: DCFS accepts the agency's policy.

9. **Guiding Light management ensure personnel files contain current salary rates approved by management.**

Agency Proposed FCAP: Administrator will ensure that in personnel files all current salary rates will be on Application and updated as needed.

DCFS Response: DCFS accepts the agency's policy.

10. **Guiding Light management ensure all timecards are signed by the employee and a supervisor to certify the accuracy of the reported time.**

Agency Proposed FCAP: Guiding Light's administration will make certain that all time cards will be reviewed and signed by the facility administrator/facility manager for accuracy to include dates and hours worked.

DCFS Response: DCFS accepts the agency's policy.

11. **Guiding Light management ensure the bank reconciliations are prepared within 30 days of the bank statement date, and signed and dated by the preparer and reviewer.**

Agency Proposed FCAP: Guiding Light's Management will ensure that all information will be given to the bookkeeping service to insure that bank reconciliations are prepared on a monthly basis. The bookkeeping service will sign the bank statements and reconciliation after completion and in addition authorized check signer from Guiding Light will sign after the data is returned.

DCFS Response: DCFS accepts the agency's policy.

12. **Guiding Light management prepare and submit the Semi-Annual Expenditure Reports for 2008 to DCFS.**

Agency Proposed FCAP: Guiding Light Management has prepared and submitted the Semi-Annual Expenditure Reports for 2008 to DCFS. As well as the first 1/2 of 2009. The reports will be sent in a timely manner.

DCFS Response: DCFS accepts the agency's policy.